

FINANCIAL STATEMENTS

TOWNSHIP OF ESCANABA

Delta County, Michigan

For the year ended March 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ESCANABA TOWNSHIP	County DELTA
Fiscal Year End 03/31/07	Opinion Date 06/20/07	Date Audit Report Submitted to State 5/08/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

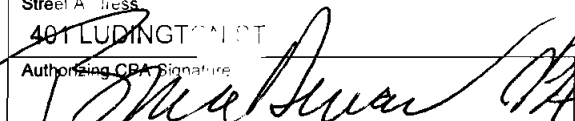
We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) SCHNEIDER, LARSEN, HAAPALA & COMPANY, PLLC		Telephone Number 906-786-6151		
Street Address 401 LUDINGTON ST		City ESCANABA	State MI	Zip 49829
Authorizing CPA Signature 		Printed Name BRUCE DEWAR		License Number 1101011278

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*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.
Denise M. Boyle, C.P.A., P.C.
Bruce D. Dewar, C.P.A.
Karen L. Meiers, C.P.A., P.C.

June 20, 2007

Township Board
Township of Escanaba
Delta County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Escanaba, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Escanaba, Michigan as of March 31, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information of pages 3 through 6 and 23 and 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supplemental information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schneider Losche Haapala Company PLLC
Certified Public Accountants

**TOWNSHIP OF ESCANABA
DELTA COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS
March 31, 2007**

This discussion and analysis of the Township's financial position and activities is presented as of and for the year ended March 31, 2007. The information presented should be read in conjunction with the Townships financial statements that follow.

The discussion and analysis is intended to assist the readers understanding of the financial statements by highlighting summarized financial data, activities, trends and other related information.

ANNUAL REPORT

The Township annual report consists of three main financial information components as follows:

- Basic financial statements
- Required supplemental information
- Other supplemental information

Basic Financial Statements - The basic financial statements present government - wide financial statements that provide information about the Township's financial condition and activities as a whole. The government - wide financial statements provide data relating to the long-term nature of the Township's operations by reporting all Township assets and liabilities that will provide or require financial resources in the future and the Township's investment in property and equipment.

In addition, the basic financial statements present fund financial statements that provide information about the significant individual funds of the Township. The basic financial statements also include footnote disclosures necessary to provide additional information regarding the basic financial statements and other significant issues regarding the Township's financial position and activity.

Required Supplemental Information - Required supplemental information is not a part of the basic financial statements but is an important part of the annual report. The primary financial information contained herein is budgetary information of the Township's General Fund.

Other Supplemental Information - Other supplemental information provides additional financial information regarding nonmajor funds of the Township and budgetary information not included as required supplemental information.

**TOWNSHIP OF ESCANABA
DELTA COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2007**

FINANCIAL HIGHLIGHTS

Financial highlights discussed below include the following items:

- Government-wide financial information
- Governmental funds financial information
- Other information

Government - wide Financial Information - The net assets of the Township as a whole for the year ended March 31, 2007 increased by \$92,146 to \$1,437,744. A comparison of net assets as of March 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Cash	\$ 802,702	\$ 697,685
Receivables	<u>69,004</u>	<u>67,235</u>
Total noncapital assets	871,706	764,920
Capital assets, net	<u>569,069</u>	<u>595,833</u>
Total assets	<u>1,440,775</u>	<u>1,360,753</u>
Current liabilities	3,031	12,155
Long-term debt	<u>-</u>	<u>3,000</u>
Total liabilities	<u>3,031</u>	<u>15,155</u>
Net assets	<u>\$1,437,744</u>	<u>\$1,345,598</u>

Net assets are categorized as follows:

Invested in capital assets, net of related debt	\$ 566,069	\$ 589,833
Restricted net assets	35,305	33,747
Unrestricted net assets	<u>836,370</u>	<u>722,018</u>
	<u>\$1,437,744</u>	<u>\$1,345,598</u>

**TOWNSHIP OF ESCANABA
DELTA COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2007**

Government - wide Financial Information (Continued)

Significant revenues and expenditures on a government-wide basis are as follows for the years ending March 31, 2007 and 2006:

Revenues:	<u>2007</u>		<u>2006</u>	
Program:		<u>%</u>		<u>%</u>
Charges for services	\$ 20,901	5	\$ 17,293	4
Grants and contributions	7,696	2	82,546	18
General:				
Taxes	95,712	24	96,059	21
State revenues	246,323	63	253,994	55
Other	<u>23,980</u>	<u>6</u>	<u>12,251</u>	<u>2</u>
	\$ <u>394,612</u>	<u>100%</u>	\$ <u>462,143</u>	<u>100%</u>
Expenditures:				
General operations	\$ 166,637	55	\$ 168,332	47
Public safety	51,765	17	76,515	21
Public works	50,580	17	81,068	23
Recreation	3,355	1	5,790	2
Interest expense	250	-	417	-
Other expenditures	<u>29,879</u>	<u>10</u>	<u>27,505</u>	<u>7</u>
	\$ <u>302,466</u>	<u>100%</u>	\$ <u>359,627</u>	<u>100%</u>
Change in Net Assets	\$ <u>92,146</u>		\$ <u>102,516</u>	

Revenues in 2006 included one-time operating grants of \$16,701 and one-time capital grants of \$64,415. No substantial grants are expected for the year ended March 31, 2008 and overall revenues are expected to approximate revenues reported for 2007.

Expenditures in 2006 included one-time expenditures related to operating grants, including matching grant requirements, of \$29,810 for public safety. Expenditures for the year ended March 31, 2008 are expected to approximate expenditures reported for 2007.

Governmental Funds Financial Information - As discussed in the basic financial statements, the basis of presentation and the basis of accounting used in preparing the government-wide and governmental funds financial statements are different. Accordingly, the governmental funds information presented below will differ from the government-wide information presented above.

**TOWNSHIP OF ESCANABA
DELTA COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2007**

Governmental Funds Financial Information(Continued)

The fund balances of the governmental funds of the Township increased by \$114,372 to \$845,354 during the year ended March 31, 2007. Cash balances of the governmental funds increased by \$105,017 to \$802,702 for the same period.

Revenues and expenditure comparisons with the prior year are as follows:

	<u>2007</u>	<u>2006</u>
Total Revenues		
General fund	\$ 387,891	\$ 454,712
Other funds	5,214	4,793
Total Expenditures		
General fund	274,566	392,272
Other funds	<u>4,167</u>	<u>3,996</u>
Change in fund balances	\$ <u>114,372</u>	\$ <u>63,237</u>

Other Information

Debt Service - The Township made principal payments on long-term debt totaling \$3,000 during the year. Total outstanding debt as of March 31, 2007 was \$3,000. The principal and interest debt service requirement for the next fiscal year are \$3,000 and \$94, respectively.

Capital Outlay - The Township purchased no capital outlay items during the year. The Township's total investment in property and equipment totaled \$952,723 as of March 31, 2007. No significant capital expenditures are projected for the next fiscal year.

TOWNSHIP OF ESCANABA
STATEMENT OF NET ASSETS

March 31, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and certificates of deposit	\$ 802,702
Accounts receivable	650
Taxes receivable	5,935
Special assessments receivable	960
Due from other governments	<u>61,459</u>
TOTAL CURRENT ASSETS	871,706
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>569,069</u>
TOTAL ASSETS	\$ <u>1,440,775</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 31
Current portion of long-term obligations	<u>3,000</u>
TOTAL CURRENT LIABILITIES	3,031
Noncurrent Liabilities:	
Noncurrent portion of long-term obligations	<u>-</u>
TOTAL LIABILITIES	<u>3,031</u>
<u>NET ASSETS</u>	
Invested in capital assets	566,069
Restricted:	
Nonexpendable	15,056
Restricted for special purposes	20,249
Unrestricted	<u>836,370</u>
TOTAL NET ASSETS	<u>1,437,744</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,440,775</u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

STATEMENT OF ACTIVITIES

For the year ended March 31, 2007

		<u>Program Revenue</u>		Net (Expense)
				Revenue and
				Changes in
				Net Assets
<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants and</u>	<u>Activities</u>
			<u>Contributions</u>	
Governmental Activities:				
Legislative	\$ 31,101	\$ -	\$ -	(\$ 31,101)
General government	135,536	18,013	-	(117,523)
Public safety	51,765	2,888	2,521	(46,356)
Public works	50,580	-	5,175	(45,405)
Recreation and culture	3,355	-	-	(3,355)
Interest on long-term debt	250	-	-	(250)
Other	<u>29,879</u>	<u>-</u>	<u>-</u>	(<u>29,879</u>)
 TOTAL GOVERNMENTAL				
ACTIVITIES	\$ <u>302,466</u>	\$ <u>20,901</u>	\$ <u>7,696</u>	(<u>273,869</u>)
 General Revenues:				
Property taxes				95,712
State sources not restricted				246,323
Interest income				18,846
Other revenue				<u>5,134</u>
 TOTAL GENERAL				
REVENUE				<u>366,015</u>
 Change in net assets				92,146
 Net assets, beginning of year				<u>1,345,598</u>
 Net assets, end of year				\$ <u>1,437,744</u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2007

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and certificates of deposit	\$ 771,139	\$ 31,563	\$ 802,702
Due from other funds	1,677	4,490	6,167
Accounts receivable	650	-	650
Taxes receivable	5,935	-	5,935
Special assessments receivable	-	960	960
Due from other governmental units	<u>61,459</u>	<u>-</u>	<u>61,459</u>
TOTAL ASSETS	\$ <u>840,860</u>	\$ <u>37,013</u>	\$ <u>877,873</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	4,490	1,677	6,167
Deferred revenues	<u>25,392</u>	<u>960</u>	<u>26,352</u>
TOTAL LIABILITIES	<u>29,882</u>	<u>2,637</u>	<u>32,519</u>
<u>FUND BALANCES</u>			
Reserved for:			
Permanently nonexpendable	-	15,056	15,056
Debt service	-	1,131	1,131
Other purposes	-	18,189	18,189
Unreserved	<u>810,879</u>	<u>-</u>	<u>810,978</u>
TOTAL FUND BALANCES	<u>810,978</u>	<u>34,376</u>	<u>845,354</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>840,860</u>	\$ <u>37,013</u>	\$ <u>877,873</u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

March 31, 2007

Total fund balances in governmental funds \$ 845,354

Amounts reported for governmental activities
in the statement of net assets are different because:

Capital assets are not reported in the governmental funds
balance sheet because they are not current financial resources,
but they are reported in the statement of net assets. 569,069

Certain receivables are deferred in the governmental funds
balance sheet because they are not available to pay current period
expenditures, but they are not deferred in the statement of net assets. 26,352

Certain liabilities are not reported in the governmental funds
balance sheet because they are not due and payable, but they
are presented in the statement of net assets. (3,031)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,437,744

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended March 31, 2007

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 95,851	\$ -	\$ 95,851
State sources	251,423	1,430	252,853
Charges for service	11,836	400	12,236
Interest and rentals	23,247	984	24,231
Special assessments	-	2,400	2,400
Other	<u>5,534</u>	<u>-</u>	<u>5,534</u>
TOTAL REVENUES	387,891	<u>5,214</u>	<u>393,105</u>
Expenditures:			
Legislative	31,101	-	31,101
General government	131,337	-	131,337
Public safety	29,298	886	30,184
Public works	50,580	-	50,580
Recreation and culture	2,371	-	2,371
Debt service	-	3,281	3,281
Other	<u>29,879</u>	<u>-</u>	<u>29,879</u>
TOTAL EXPENDITURES	<u>274,566</u>	<u>4,167</u>	<u>278,733</u>
Change in Fund Balances	113,325	1,047	114,372
Fund Balances, beginning of year	<u>697,653</u>	<u>33,329</u>	<u>730,982</u>
Fund Balances, end of year	\$ <u><u>810,978</u></u>	\$ <u><u>34,376</u></u>	\$ <u><u>845,354</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2007

Net change in total governmental fund balances	\$ 114,372
Amounts reported for governmental activities in the statement of activities is different because:	
Capital outlays are reported as expenditures in the governmental fund financial statement because they use current financial resources, but they are depreciated over their estimated economic lives in the statement of activities. The amount of current year depreciation in excess of capital outlay.	(26,764)
Revenues that are not available to pay current obligations are not reported in the governmental fund financial statement, but they are presented in the statement of activities.	1,507
Repayment of debt is shown as an expenditure in the governmental fund financial statement but are not reported in the statement of activities.	3,000
Expenditures recognized in the governmental fund financial statement are generally limited to those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>31</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>92,146</u></u>

See notes to financial statements.

TOWNSHIP OF ESCANABA

FIDUCIARY FUNDS STATEMENT OF ASSETS AND LIABILITIES

March 31, 2007

		<u>Agency Funds</u>
<u>ASSETS</u>		
Cash	\$	<u>225</u>
	\$	<u>225</u>
<u>LIABILITIES</u>		
Due to other governmental units	\$	<u>225</u>
	\$	<u>225</u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Escanaba have been prepared in accordance with generally accepted accounting principles in the United States of America as applicable to governmental entities. A summary of the significant accounting policies followed in the preparation of the financial statements are presented below.

A) Reporting Entity - The Township of Escanaba's financial statements present the Township as the primary government. The Township does not have any component units.

B) Basic Financial Statements - The Township's basic financial statements are comprised of the following four components:

- 1) Government-wide financial statements
 - 2) Governmental funds financial statements
 - 3) Fiduciary funds financial statements
 - 4) Notes to the financial statements
- 1) Government-wide financial statements report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has generally been removed from these statements.

The Statement of Net Assets displays the assets, liabilities and net assets of the Township as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Program revenues include user fees and grants and contributions restricted for specific operational or capital acquisition purposes. Taxes, unrestricted state grants and other revenues not properly reported as program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 2) Governmental funds financial statements report on the individual governmental funds of the Township. Major governmental funds are reported on separately and nonmajor funds are reported on as a group.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenue sources meeting the availability criteria include state shared revenues. Various receivables and grant reimbursements collected after the period of availability would be recorded as deferred revenues.

Expenditures generally are recorded when a liability is incurred. Expenditures not normally paid from currently available resources are recorded when payment is due. Examples of expenditures recorded when due would include debt service expenditures, expenditures relating to compensated absences, and claims and judgements.

The individual governmental funds are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Township's governmental funds can be classified into four specific fund types. The specific fund types, purposes and the actual funds maintained by the Township, are as follows:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources and transactions not properly or legally accounted for in another of the Township's funds. The General Fund is the only major fund maintained by the Township.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Fund - The Township's special revenue fund is used to account for proceeds of specific revenue sources or to finance specific activities as required by law or administration regulations. The only special revenue fund maintained by the Township is the Liquor Law Enforcement Fund.

Debt Service Fund - The Township's debt service funds are used to account for the accumulation of cash resources for debt retirement and for the payment of principal and interest on long-term debt not paid through the General Fund. The debt service funds maintained by the Township are the 0.8 Lane and Westwood debt funds.

Permanent Fund - The Township's permanent fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support activities that benefit the Township's citizens. The only permanent fund maintained by the Township is the Cemetery Trust Fund.

- 3) Fiduciary fund financial statements are used to report assets held in a trustee or agency capacity for others and are not available to support general Township programs. The fiduciary funds are excluded from the government-wide financial statements. Fiduciary funds use the accrual basis of accounting. The Township's only fiduciary funds are the Current Tax Collection Fund and the Trust and Agency Fund.
- 4) Notes to the financial statements provide information to the reader that is considered critical to the readers understanding of the financial statements and the Township's financial position and activities. The disclosures provide information that generally cannot be determined by a reading of the other sections of the financial statements.

C) **Budgets** - The Township prepares and adopts budgets on a cash basis. Unexpended appropriations lapse at the end of the fiscal year. The Township's General Fund expenditure budget is adopted at the activity level. The Township also adopts special revenue and debt service fund budgets, which adopt expenditures at the account level. The Township Supervisor is responsible for the preparation and monitoring of the budget. The Township Board is responsible for the approval of the original budgets and any subsequent amendments.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Net Assets/Fund Balances Terminology - The nonexpendable portion of net assets/fund balances is permanently restricted (reserved) and not available for expenditure for Township purposes. The restricted (reserved) portion of net assets/fund balances is available only for expenditure for specific purposes due to conditions established by law or the resource provider. The Township's policy is to apply expenditures against restricted resources, when applicable, before using unrestricted resources.

E) Accounts Receivable - Property taxes and other accounts receivable are shown net of any allowance for amounts that the Township believes will be uncollectible. Amounts due from other governments represent accounts receivable from federal, state and local governments.

F) Capital Assets - Capital assets, which include property, equipment, and other assets, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has elected not to retroactively record the value of infrastructure assets.

Types of property generally not recorded as capital assets would include certain office furniture and equipment, and various fire services equipment and turn-out gear.

Capital assets are depreciated using the straight-line method over the following useful lives:

•	Buildings	30 to 50 years
•	Fire vehicles	15 to 20 years
•	Equipment and furnishings	10 to 15 years

Capital assets are recorded as an asset and depreciated for the government-wide financial statements but are not recorded in the governmental fund financial statements. The acquisition of capital assets are reported as an expenditure in the governmental fund financial statements when acquired.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) Deferred Revenues - Deferred revenues have met the asset recognition criteria but have not met the revenue recognition criteria. Deferred revenues include resources received but not yet earned and accounts receivable not received within the availability period of 60 days.

H) Noncurrent Liabilities - Noncurrent liabilities are reported in the government-wide financial statements but are not reported in the governmental funds financial statements. Proceeds from noncurrent liabilities and payments on those liabilities are recorded as other financing sources and debt service expenditures, respectively, in the governmental funds financial statements.

I) Property Taxes - The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on the taxable valuation of property as of the preceding December 31. In addition to collecting their own taxes, the Township also acts as collection agent for all over-lapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Delinquent real property taxes are subsequently turned over to the County which maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two or three months after the delinquency date of February 28.

The Township generally recognizes property taxes as revenue in the year the taxes are levied. Property taxes not meeting the availability criteria are recorded as deferred revenue in the governmental fund financial statements. For the current year the Township levied .8076 mills for general operating purposes.

J) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS

Michigan compiled laws authorize and limit deposits and investments to federally insured financial institutions with offices in the State of Michigan, direct obligations of the United States, certain obligations of the State of Michigan or its' political subdivisions, specific investment grade short-term commercial paper, bankers acceptances of United States banks and mutual funds investing in authorized investment types.

The Township's investment policy generally requires that the Township invest excess monies in interest bearing accounts or certificates of federally insured banks located in the State of Michigan. Other statutory compliant investment options are available with the prior approval of the Township Board.

Cash deposits are recorded at cost. During the past year, cash balances deposited have exceeded the maximum federally insured deposit amounts. Cash balances as of March 31, 2007 consisted of the following:

Noninterest bearing checking accounts	\$	5
Interest bearing accounts		400,322
Interest bearing short-term deposits		<u>402,600</u>
	\$	<u>802,927</u>

Total uninsured and unsecured deposits as of March 31, 2007 amounted to \$453,695, based on actual bank balances on that date of \$804,260.

NOTE 3 - CAPITAL ASSETS

The following summarizes capital asset activity for the year ended March 31, 2007:

	Balance April 1, <u>2006</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance March 31, <u>2007</u>
Nondepreciated Capital Assets:				
Land	\$ 257,761	\$ -	\$ -	\$ 257,761
Depreciated Capital Assets:				
General government:				
Buildings and improvements	130,796	-	-	130,796
Equipment and furnishings	52,904	-	-	52,904

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance April 1, <u>2006</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance March 31, <u>2007</u>
Fire activity:				
Buildings and improvements	42,458	-	-	42,458
Vehicles	343,083	-	-	343,083
Equipment	59,660	-	-	59,660
Recreation activity:				
Buildings and improvements	49,185	-	-	49,185
Equipment	<u>16,876</u>	<u>-</u>	<u>-</u>	<u>16,876</u>
Total Cost	<u>952,723</u>	<u>-</u>	<u>-</u>	<u>952,723</u>
Accumulated Depreciation:				
Building and improvements	141,468	(4,569)	-	146,037
Vehicles	149,632	(14,766)	-	164,398
Equipment and furnishings	<u>65,790</u>	<u>(7,429)</u>	<u>-</u>	<u>73,219</u>
Total Accumulated	<u>356,890</u>	<u>(26,764)</u>	<u>-</u>	<u>383,654</u>
Net Capital Assets	<u>\$ 595,833</u>	<u>(\$ 26,764)</u>	<u>\$ -</u>	<u>\$ 569,069</u>

Depreciation expense was charged to the following functions in the Township's Statement of Activities in the government-wide financial statements:

General government	\$ 4,199
Public safety	21,581
Recreation and culture	<u>984</u>
	<u>\$ 26,764</u>

NOTE 4 - DEFERRED REVENUES

As of March 31, 2007, the Township's deferred revenues consisted of the following for the governmental funds financial statements:

Taxes receivable	\$ 5,935
State revenue sharing receivable	19,457
Special assessments receivable	<u>960</u>
	<u>\$ 26,352</u>

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 5 - NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended March 31, 2006 is as follows:

	<u>Special Assessment Bonds</u>
Balance, April 1	\$ 6,000
Less, payments on long-term debt	(<u>3,000</u>)
Balance, March 31	\$ <u>3,000</u>

The special assessment limited tax bonds require the payment of interest at 6.25%. The bonds, which are secondarily guaranteed by the Township, are secured by special assessments receivable.

Total debt requirements for the special assessment bonds to maturity are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
March 31, 2008	\$ <u>94</u>	\$ <u>3,000</u>	\$ <u>3,094</u>

NOTE 6 - DEFERRED COMPENSATION PLAN

The Township maintains a Section 457 Deferred Compensation Plan. Under terms of the plan, officers and employees of the Township may elect to defer the payment of compensation otherwise payable to them in an amount not to exceed the lesser of \$7,500 or one-third of annual compensation. Total deferrals under the plan for the year ended March 31, 2007 were \$2,959.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 7 - NET ASSETS/FUND BALANCES

Certain net assets in the government-wide financial statements and fund balances in the governmental fund financial statements are externally restricted (reserved) on a permanent basis or for specific purposes, as follows:

	<u>Government- Wide</u>	<u>Governmental Funds</u>
<u>Nonmajor Funds</u>		
Permanently restricted for cemetery care, interest income only available for expenditure	\$ 15,056	\$ 15,056
Restricted (reserved) for debt service	2,060	1,131
Restricted (reserved) for other purposes:		
Cemetery operations	1,393	1,393
Liquor law enforcement	<u>16,796</u>	<u>16,796</u>
Nonmajor Fund Restricted (Reserved)	\$ <u>35,305</u>	\$ <u>34,376</u>

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risk of loss related to torts, theft, accident, errors, omissions, injury and disaster. The Township's principal resource used to manage these risks is through the purchase of commercial property and liability insurance policies.

NOTE 9 - OVEREXPENDITURES

The Township incurred the following budget overexpenditures during the year ended March 31, 2007:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Overexpenditure</u>
General Fund - Street Lighting	\$ 12,700	\$ 13,174	\$ 474
Liquor Law Enforcement Fund	-	886	886

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ESCANABA

GENERAL FUND BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Cash Basis Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 80,993	\$ 80,993	\$ 95,851	\$ 14,858
State sources	243,000	243,000	251,011	8,011
Charges for services	3,300	3,300	11,986	8,686
Interest and rentals	15,600	15,600	23,247	7,647
Other	<u>2,000</u>	<u>2,000</u>	<u>5,534</u>	<u>3,534</u>
TOTAL REVENUES	<u>344,893</u>	<u>344,893</u>	<u>387,629</u>	<u>42,736</u>
Expenditures:				
Legislative	43,317	43,517	31,101	12,416
General government	202,422	215,822	131,337	84,485
Public safety	44,540	48,840	29,298	19,542
Public works	117,000	99,300	50,580	48,720
Recreation and culture	6,000	6,000	2,371	3,629
Other	<u>47,264</u>	<u>47,064</u>	<u>29,879</u>	<u>17,185</u>
TOTAL EXPENDITURES	<u>460,543</u>	<u>460,543</u>	<u>274,566</u>	<u>185,977</u>
Change in Fund Balance	(115,650)	(115,650)	113,063	228,713
Fund Balance, beginning of year	<u>655,263</u>	<u>655,263</u>	<u>655,263</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 539,613</u>	<u>\$ 539,613</u>	<u>\$ 768,326</u>	<u>\$ 228,713</u>

TOWNSHIP OF ESCANABA

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

March 31, 2007

BUDGETARY INFORMATION

The Township prepares annual budgets on a cash basis. A reconciliation of revenues and expenditures between the modified accrual basis of accounting used in the preparation of the governmental funds financial statements and the cash basis of accounting used for budgetary reporting is as follows:

	<u>General Fund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Amounts reported on modified accrual basis	\$ 387,891	\$ 274,566
Cash basis adjustments:		
Current year increase in accounts receivable	(1,289)	-
Current year decrease in deferred revenues	<u>1,027</u>	<u>-</u>
Cash basis amounts	\$ <u>387,629</u>	\$ <u>274,566</u>

Budgetary comparisons are required supplemental information for the General Fund only.

Budgetary comparison schedules for nonmajor governmental funds with adopted budgets are included in the other supplemental information section of the annual report.

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF ESCANABA

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

March 31, 2007

ASSETS

Cash and certificates of deposit
Due from other funds
Special assessments receivable

	Cemetery Trust Fund	Liquor Law Enforcement Fund	0.8 Lane Debt Fund	Total
	\$ 11,959	\$ 17,682	\$ 1,922	\$ 31,563
	4,490	-	-	4,490
	-	-	960	960
TOTAL ASSETS	\$ 16,449	\$ 17,682	\$ 2,882	\$ 37,013

LIABILITIES

Due to other funds
Deferred revenues

	\$ -	\$ 886	\$ 791	\$ 1,677
	-	-	960	960
TOTAL LIABILITIES	-	886	1,751	2,637

FUND BALANCES

Reserved for:
Permanent nonexpendable
Debt service
Other purposes

	15,056	-	-	15,056
	-	-	1,131	1,131
	1,393	16,796	-	18,189
TOTAL FUND BALANCES	16,449	16,796	1,131	34,376
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,449	\$ 17,682	\$ 2,882	\$ 37,013

TOWNSHIP OF ESCANABA

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the year ended March 31, 2007

	Cemetery Trust Fund	Liquor Law Enforcement Fund	0.8 Lane Debt Fund	Total
Revenues:				
State sources	\$ -	\$ 1,430	\$ -	\$ 1,430
Charges for services	400	-	-	400
Interest and rentals	355	626	3	984
Special assessments	-	-	2,400	2,400
	<u>755</u>	<u>2,056</u>	<u>2,403</u>	<u>5,214</u>
Expenditures:				
Public safety	-	886	-	886
Debt service	-	-	3,281	3,281
Change in Fund Balances	755	1,170	(878)	1,047
Fund Balances, beginning of year	<u>15,694</u>	<u>15,626</u>	<u>2,009</u>	<u>33,329</u>
Fund Balances, end of year	<u>\$ 16,449</u>	<u>\$ 16,796</u>	<u>\$ 1,131</u>	<u>\$ 34,376</u>

TOWNSHIP OF ESCANABA

GENERAL FUND REVENUE BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Taxes:			
Current property taxes	\$ 60,000	\$ 63,273	\$ 3,273
Delinquent taxes, penalties, and interest	500	6,952	6,452
Property tax administrative fees	20,000	25,150	5,150
Other taxes	493	476	(17)
State Sources:			
Revenue sharing	243,000	244,745	1,745
Other	-	6,266	6,266
Charges for Services:			
Cemetery fees	300	275	(25)
Fire fees	2,500	2,888	388
Other fees	500	2,140	1,640
Summer tax collection fee	-	6,683	6,683
Interest and Rentals:			
Interest income	1,000	17,862	7,862
Hall rentals	5,600	5,385	(215)
Other:			
Miscellaneous	<u>2,000</u>	<u>5,534</u>	<u>3,534</u>
	<u>\$ 335,893</u>	<u>\$ 387,629</u>	<u>\$ 42,736</u>

TOWNSHIP OF ESCANABA

GENERAL FUND EXPENDITURE BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Legislative:				
Township Board	\$ 43,317	\$ 43,517	\$ 31,101	\$ 12,416
General Government:				
Township Supervisor/Assessor	51,656	65,056	45,322	19,734
Township Clerk	18,083	18,083	17,768	315
Township Treasurer	23,483	23,483	23,428	55
Township hall	68,500	68,500	22,563	45,937
Board of Review	1,200	1,285	1,285	-
Cemetery	12,000	12,000	5,589	6,411
Planning and zoning	17,500	17,415	8,359	9,056
Elections	10,000	10,000	7,023	2,977
Public Safety:				
Fire protection	44,540	48,840	29,298	19,542
Public Works:				
Street lighting	17,000	12,700	13,174	(474)
Roads	100,000	86,600	37,406	49,194
Recreation and Cultural:				
Recreation	6,000	6,000	2,371	3,629
Other:				
Insurance	20,000	20,000	19,094	906
Social security	11,000	11,000	7,826	3,174
Retirement plan	6,500	6,500	2,959	3,541
Contingency	<u>9,764</u>	<u>9,564</u>	<u>-</u>	<u>9,564</u>
	\$ <u>460,543</u>	\$ <u>460,543</u>	\$ <u>274,566</u>	\$ <u>185,977</u>

TOWNSHIP OF ESCANABA

LIQUOR LAW ENFORCEMENT FUND BUDGETARY
COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:			
State grants	\$ -	\$ 1,430	\$ 1,430
Interest	<u>-</u>	<u>626</u>	<u>626</u>
	<u>-</u>	<u>2,056</u>	<u>2,056</u>
Expenditures:			
Law enforcement	<u>-</u>	<u>886</u>	(<u>886</u>)
Excess of Revenues Received Over (Under) Expenditures Paid	-	1,170	1,170
FUND BALANCE, APRIL 1	<u>15,626</u>	<u>15,626</u>	<u>-</u>
FUND BALANCE, MARCH 31	\$ <u><u>15,626</u></u>	\$ <u><u>16,796</u></u>	\$ <u><u>1,170</u></u>